

Washington State Auditor's Office

Audit Report

Evergreen School District Clark County

Audit Period
September 1, 1996 through August 31, 1997

Report No. 59137

Issue Date
June 5, 1998



Washington
State Auditor
Brian Sonntag

Audit Summary

Evergreen School District Clark County September 1, 1996 through August 31, 1997

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the Evergreen School District for the period September 1, 1996, through August 31, 1997.

Our work focused on determining whether the District complied with state laws and regulations and federal grant requirements. It also included the audit of the general purpose financial statements and the internal controls that have been established by District management. We also performed audit procedures on specific areas that have potential for abuse and misuse of public resources.

RESULTS

The Evergreen School District materially complied with state laws and regulations and its own policies. The District adhered to requirements of federal financial assistance.

On January 21, 1997, the Marketing Advisor at the Evergreen High School discovered a misappropriation of public funds involving the Evergreen High School Student Store. District officials immediately notified our office and also referred the matter to the Clark County Sheriff's Department. We reviewed the Marketing Advisor's reconciliation method for determining the loss and agree with the calculated total of \$1,485.00. Restitution has been obtained from the student responsible.

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Description of the District

Evergreen School District Clark County September 1, 1996 through August 31, 1997

ABOUT THE DISTRICT

The Evergreen School District serves about 20,000 students from kindergarten through 12th grade in Clark County. The District operates 27 schools, including two high schools, five junior high schools, 17 elementary schools, the Clark County Vocational Skills Center, the Alternative Learning Center, and the Early Childhood Center. An elected School Board has oversight for the District, appointing the management, setting the budget and holding other fiscal responsibilities. The District operated on a \$119 million annual budget with a staff of approximately 2,100 employees.

ELECTED OFFICIALS

These officials served during the audit period.

Board of Directors:

Dave Chamberlin
Paul Harris
Joan Skelton
Paula Taylor
Donald J. Walley

APPOINTED OFFICIALS

Superintendent
Assistant Superintendent – Elementary Education
Assistant Superintendent – Instruction
Assistant Superintendent – Secondary Education
Associate Superintendent – Business and Support Services
Attorneys:

Richard T. Melching
Rebecca Andrews
Judith Meyers
James "Mick" O'Neill
William Fromhold
Karr, Tuttle, Campbell
Perkins Coie
Horenstein & Duggan
Bischof, Hungerford & Witty

DISTRICT ADDRESS

Evergreen School District
13501 NE 28th Street
PO Box 8910
Vancouver, WA 98668-8910

Audit Areas Examined

Evergreen School District Clark County September 1, 1996 through August 31, 1997

In keeping with general auditing practices, we do not examine every portion of an entity's financial activities each audit. The areas examined during an audit are determined by evaluating those which have the highest risk of loss to the entity as well as other factors. Certain areas are reviewed on a rotating basis over the course of several year. The following represents the areas of District operations examined in this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with state and local laws and regulations:

- Authorization and validity of expenditures
- Budget Compliance
- Travel expenditures
- Competitive bidding requirements
- Open Public Meetings Act
- Statutory debt limit compliance
- Enrollment reporting
- Staff Mix reporting
- Official's conflict of interest
- School bus transportation for compliance with RCW's

INTERNAL CONTROL

We examined the following categories of the District's internal control structure:

- Cash receipting
- Disbursements/warrants
- Petty cash/imprest funds
- General ledger
- Purchasing and receiving
- Payroll
- Property and equipment
- Inventory

FINANCIAL AREAS

In auditing the Evergreen School District's general purpose financial statements, we reviewed the following areas:

- Financial statements – overall presentation
- Cash and investments for existence and fairness of presentation
- Revenues, such as states apportionment, local taxes, food services, ASB and student store revenues, and other financing sources
- Taxes receivable
- Long-term debt for fairness of presentation
- Property and equipment for existence and valuation
- Expenditures for operating and maintenance, capital equipment, and construction

FEDERAL PROGRAMS

We audited the District's compliance with the following requirements of federally funded programs. The audit of the federal grants adhered to the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996.

- Activities allowed or unallowed
- Allowable costs
- Eligibility

Audit Overview

Evergreen School District Clark County September 1, 1996 through August 31, 1997

AUDIT HISTORY

We audit the Evergreen School District annually. Our audits of the District for the three years ended 1995 through 1997 have been without findings. During our audits we typically make recommendations to management on methods to strengthen internal controls. Management at the District has customarily responded quickly to implement audit suggestions.

CONCLUSIONS

The Evergreen School District has materially complied with applicable state laws and regulations, its own policies, and the requirements of federal financial assistance grantors. District management is very receptive to our recommendations to strengthen its system of internal controls, and has established policies and procedures designed to detect and prevent irregularities.

On January 21, 1997, the Marketing Advisor at the Evergreen High School discovered a misappropriation of public funds involving the Evergreen High School Student Store. Internal controls at the school included review and reconciliation of student store activity by a faculty advisor. In this case, the Marketing Advisor noted a decline in reported sales. Upon performing reconciliations of the student store cash register tapes to the reported sales and subsequent deposits, the Marketing Advisor found discrepancies between the tapes and deposits. Videotape recordings made during the daily reconciliation and deposit confirmed that one student was involved in the misappropriation. After confronting the student, the student confessed to the misappropriation. The theft was reported to the Clark County Sheriff's Department. Full restitution has been obtained from the student. The purpose of this background is to make a public disclosure of the events surrounding this irregularity.

The Marketing Advisor calculated the loss at \$1,485.00. We reviewed the reconciliation process used to calculate this figure and agree with the District's methodology. The Marketing Advisor instituted a new daily reconciliation method that if maintained, will detect any further irregularities in a timely manner.

This was a case where the District's internal control mechanisms worked. Because of the strong controls in place, the District detected, investigated, and confirmed the misappropriation, then took action. The District promptly notified us, successfully sought restitution from the student, and referred the misappropriation to the Clark County Sheriff's Office.

Federal Summary

Evergreen School District Clark County September 1, 1996 through August 31, 1997

The results of our audit of the Evergreen School District are summarized below in accordance with OMB Circular A-133.

- We issued an unqualified opinion on the District's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the District.
- We issued an unqualified opinion on the District's compliance with requirements applicable to its major federal programs.
- We reported no findings which are required to be disclosed under OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The District qualified as a low-risk auditee under OMB Circular A-133.
- The following were major programs during the period under audit:

<u>CFDA Number</u>	<u>Program Title</u>
84.010	Title 1 Grants to Local Educational Agencies
10.555	National School Lunch Program
84.027	Special Education – Grants to States

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with ***Government Auditing Standards***

Evergreen School District
Clark County
September 1, 1996 through August 31, 1997

Board of Directors
Evergreen School District
Vancouver, Washington

We have audited the general purpose financial statements, as listed in the table of contents, of the Evergreen School District, Clark County, Washington, as of and for the year ended August 31, 1997, and have issued our report thereon dated February 27, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of District's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed additional test of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the District complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the District's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the District and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a

condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 27, 1998

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**Evergreen School District
Clark County
September 1, 1996 through August 31, 1997**

Board of Directors
Evergreen School District
Vancouver, Washington

COMPLIANCE

We have audited the compliance of the Evergreen School District, Clark County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 1997. The District's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in compliance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 1997.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design

or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, the Board of Directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 27, 1998

Independent Auditor's Report on Financial Statements and Additional Information

Evergreen School District Clark County September 1, 1996 through August 31, 1997

Board of Directors
Evergreen School District
Vancouver, Washington

We have audited the accompanying general purpose financial statements of the Evergreen School District, Clark County, Washington, as of and for the year ended August 31, 1997, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Evergreen School District, as of August 31, 1997, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 1998, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 27, 1998

General Purpose Financial Statements

**Evergreen School District
Clark County
September 1, 1996 through August 31, 1997**

General Purpose Financial Statements

Combined Balance Sheet – All Fund Types and Account Groups – 1997

Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental
Fund Types and Expendable Trust Funds – 1997

Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –
All Governmental Fund Types – 1997

Notes to Financial Statements – 1997

Additional Information

Schedule of Federal Financial Assistance – 1997